

GAO

Testimony

For Release
on Delivery
Expected at
10:00 a.m. EDT
Tuesday
May 17, 1988

Inspector General Act Amendments of 1988

Statement of
Milton J. Socolar
Special Assistant to the Comptroller General

Before the
Subcommittee on Legislation and National
Security of the House Committee on
Government Operations



135810

0-40156/135810

Mr. Chairman and Members of the Committee:

We appreciate the opportunity to be here today to discuss H.R. 4054, the Inspector General Act Amendments of 1988. We would first like to comment on the effectiveness of the Inspector General Act of 1978 in preventing and detecting fraud, waste, and abuse and in improving federal agency operations. Next, we would like to discuss H.R. 4054's provisions for establishing statutory inspectors general (IGs) at several agencies and extending protections and requirements for certain other audit and investigation units in the federal government, as well as offering our views on certain other provisions in H.R. 4054.

EFFECTIVENESS OF THE INSPECTOR GENERAL ACT OF 1978

Under the Inspector General Act of 1978 and other legislation, statutory inspectors general have been established in 19 departments and agencies. These statutory IGs have been established through a bipartisan effort that has improved the effectiveness of the federal government. Their establishment was designed to combat fraud, waste, and abuse, and to correct numerous organizational and procedural deficiencies in the federal audit and investigative community. These deficiencies included

- the lack of effective central leadership among multiple audit and investigative units operating within an agency,
- auditors and investigators reporting to officials who were responsible for the functions under review and investigators being restricted from looking into certain areas of suspected irregularities,
- audit recommendations frequently being ignored by agency officials,
- audit and investigative units being severely limited due to inadequate resources, and
- the lack of procedures to ensure that the agency head and the Congress were informed of serious problems discovered in the agency.

We strongly supported passage of the Inspector General Act of 1978 and other such legislation because its purpose was to correct many of these deficiencies and to help ensure that high-level attention was given to promoting economy, efficiency, and effectiveness in federal programs and operations. We also believed such legislation would help ensure that both the Congress and agency heads would receive independent assessments

of federal programs and operations for which they are accountable or have oversight responsibility.

GAO reviews of IG activities over the past several years indicate that the establishment of statutory IGs has been a key factor in strengthening federal internal audit and investigative activities and improving operations within the federal government. The statutory IGs have reported to the Congress that they have had substantial success in helping bring about improvements in the federal government.

ESTABLISHING INSPECTORS GENERAL AT SEVERAL AGENCIES

H.R. 4054 would, among other things, amend the Inspector General Act of 1978 by establishing offices of inspectors general in the departments of Justice and the Treasury and in the Federal Emergency Management Agency (FEMA).

Justice and Treasury

The departments of Justice and the Treasury are the only two remaining federal departments without a statutory IG. In 1986, we issued reports recommending that the Congress amend the Inspector General Act of 1978 to establish statutory IGs at

Justice and the Treasury.¹ We also testified to that effect in 1986 before this Subcommittee and in 1987 before the Senate Committee on Governmental Affairs.² Our views on establishing statutory IGs at Justice and Treasury are essentially unchanged.

During our 1986 study, Justice had numerous internal audit and investigative units fragmented among its various bureaus and offices. In addition to lacking central coordination, we found that most of these audit and investigative units were not organizationally independent. Also, the organization and operation of these units could affect the impartiality of their staffs because auditors and investigators sometimes reviewed areas or investigated persons in the unit to which they were assigned. In addition, there was no assurance that the Attorney General or the Congress were advised of the results of the work of many of these units.

¹Justice Department: An Assessment of the Need for a Statutory Inspector General (GAO/AFMD-86-8, February 24, 1986).

Treasury Department: An Assessment of the Need for a Statutory Inspector General (GAO/AFMD-86-3, August 21, 1986).

²Statement of Charles A. Bowsher, Comptroller General of the United States, Before the Subcommittee on Legislation and National Security of the House Committee on Government Operations, on H. R. 3077, The Inspector General Act Amendments of 1985, June 26, 1986.

Need for Statutory Inspectors General at Certain Federal Agencies (GAO/T-AFMD-87-2, February 19, 1987).

The Inspector General Act Amendments of 1987 (GAO/T-AFMD-87-14, May 12, 1987).

Treasury also has numerous internal audit and investigative units located throughout the department and its various bureaus. Treasury has a nonstatutory IG who reports directly to the secretary; however, the IG has audit and investigative responsibility over less than 20 percent of the Treasury budget and has limited or no ability to audit the programs and operations of Treasury's four law enforcement bureaus. Those bureaus are audited and investigated by internal affairs and inspection staffs located within those bureaus. Generally, it has been bureau management's decision as to which audits and internal investigations are reported outside each bureau to higher levels. As a result, there is no assurance that the Secretary of the Treasury or other Treasury management is informed of all audit and investigative issues which could have a departmentwide impact. In addition, Treasury is not required to routinely inform the Congress about the department's audit and investigative activities.

The structure of internal audit and investigative units within Justice and Treasury does not provide the central leadership that exists in those same activities at departments and agencies with statutory IGs. We believe that the structure and management of the audit and investigative units at these two agencies lack organizational independence and that this may inhibit the units from making objective assessments and from

reporting to the Attorney General and the Secretary of the Treasury, as well as to the Congress, on audit and investigative results and activities.

Both the Department of Justice and the Department of the Treasury have opposed the establishment of statutory IGs.

The Department of Justice has contended that its inclusion under the IG act would

- superimpose an IG over the present authority of the Attorney General,
- allow an independent IG to interfere with or jeopardize ongoing external investigations and prosecutions, and
- require the IG to disclose sensitive or classified information.

The Department of the Treasury has contended that its inclusion under the IG act would

- subject its decisions involving economic, tax, and monetary policy to IG review, thus dampening the free exchange of ideas necessary for developing economic policy and

-- provide the IG with the statutory authority to interfere with any ongoing investigation being conducted in Treasury's law enforcement bureaus.

The issues raised by Justice and the Treasury are not new. Many of these same issues have been addressed each time the Congress has passed legislation establishing IGs at other federal departments and agencies. For example, concerns about sensitive or classified information were raised when the Congress considered establishing IGs at the departments of Defense and State.

Our work with the IGs has not disclosed, nor are we aware of, any instances where any of the statutory IGs have experienced the types of potential problems cited by Justice and the Treasury. IGs have also testified to this effect; for example, the IGs at the departments of Defense and State recently testified that they have not experienced any problems in access to, or handling of, sensitive or classified information.

Federal Emergency Management Agency

We also continue to support establishing a statutory IG at FEMA. During 1985, we found that the nonstatutory IG experienced an impairment to his independence when he was asked

to transfer to another position after conducting sensitive investigations involving high-level FEMA officials.

We also found that important and vulnerable FEMA programs and activities, such as procurement and the management of flood and crime insurance, had received little or no internal audit coverage. According to FEMA audit officials, this lack of coverage was largely the result of inadequate staffing levels in the IG's office.

We believe that establishing a statutory IG in FEMA will help resolve these problems. The Office of Management and Budget has also testified that it supports the establishment of a statutory IG at FEMA.

Proposals for Statutory IGs at NRC and OPM

Other legislation has recently been introduced in the Senate and the House calling for the establishment of statutory IGs at the Nuclear Regulatory Commission (NRC) and the Office of Personnel Management (OPM). We support the establishment of statutory IGs at both of those agencies.

As early as 1981, we supported the need for a statutory IG at NRC to ensure that the Congress and the commissioners receive objective information on problems within NRC and to enhance

public trust in the regulation of commercial nuclear power. We have also supported the establishment of a statutory IG at OPM to strengthen the IG's independence and improve congressional oversight, and to ensure the highest level of audit and investigative coverage over the retirement and disability trust fund and the recent proliferation of insurance carriers.

EXTENDING PROTECTIONS AND REQUIREMENTS

AT OTHER AGENCIES

H.R. 4054 also would extend inspector general protections and requirements to audit and investigative units in a number of executive agencies that are not currently covered by such provisions. We issued reports in 1984 and 1986 to this Subcommittee, and testified before this Subcommittee in 1986 and before the Senate Committee on Governmental Affairs in 1987 on the need for this type of action.

Our views on the need for this type of action are unchanged. While we have not reviewed in detail the needs and problems of every federal audit and investigative entity, and while there may be some such entities that could be considered too small to require such requirements as subpoena power, we nevertheless continue to believe that the general concept of extending the protections and requirements enjoyed by the inspectors general to the audit and investigative units covered

by H.R. 4054 is a good one, and one which we strongly support.

OTHER PROVISIONS IN H.R. 4054

I would like to briefly provide our views on one other section in H.R. 4054. Section 4 of the bill includes provisions to promote the uniformity and the reliability of IG reports. We fully agree that the information reported to the Congress by the IGs should be uniform and consistent. To that end, we support the definitions contained in section 4, particularly those pertaining to what constitutes "audit determination" and "audit resolution."

This concludes my statement, Mr. Chairman. We will be pleased to respond to any questions you may have.